

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision to assess the institution's record of meeting the credit needs of its entire community, including low-income and moderate-income neighborhoods, consistent with safe and sound operations of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **The State Bank of Geneva, Geneva, Illinois** prepared by the **Federal Reserve Bank of Chicago**, the institution's supervisory agency, as of **January 16, 1996**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 228.

INSTITUTION-S RATING: This institution is rated **Satisfactory**.

The rating is based upon the following: the bank's satisfactory loan-to-deposit ratio; a majority of the bank's lending occurs inside its assessment area; an excellent distribution of lending activity among individuals of different income levels, including low-income and moderate-income individuals; and, a reasonable distribution of loans by geography.

The following table indicates the performance level of **The State Bank of Geneva** with respect to each of the five performance criteria.

| SMALL INSTITUTION ASSESSMENT CRITERIA | THE STATE BANK OF GENEVA PERFORMANCE LEVELS | | |
|--|--|--|---|
| | Exceeds Standards for Satisfactory Performance | Meets Standards for Satisfactory Performance | Does Not Meet Standards for Satisfactory Performance |
| Loan-to-Deposit Ratio | | X | |
| Lending in Assessment Area | | X | |
| Lending to Borrowers of Different Incomes and to Businesses of Different Sizes | X | | |
| Geographic Distribution of Loans | | X | |
| Response to Complaints | No complaints were received since the previous examination | | |

DESCRIPTION OF INSTITUTION

The State Bank of Geneva, with total assets of \$79 million, as of September 30, 1995, is a subsidiary of Geneva Bankshares, a one-bank holding company. The bank has one office located in downtown Geneva.

The bank offers a variety of credit and deposit products and services, as well as trust services. Consumer credit products include conventional, refinance and home improvement loans; secured and unsecured installment and single payment loans; and overdraft protection and credit card loans. The bank is currently developing consumer disclosures for open end home equity loans, to be offered in the future. The bank also offers small business loans. There are no legal or regulatory impediments present which would prevent the bank from meeting its CRA obligations.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank is located in Geneva, Illinois, which is the seat of government for Kane County. Geneva is situated approximately 56 miles west of downtown Chicago. The bank has defined its assessment area as a rectangularly-shaped area containing 14 census tracts located in and around Geneva. The bank's entire assessment area is located within the Chicago Metropolitan Statistical Area (MSA) and encompasses the communities of Campton, Mooseheart, St. Charles, Blackberry, Geneva, and Batavia Township.

According to the 1990 U.S. census data, the total population in the assessment area is approximately 82,234 with the ethnic/racial distribution being as follows: 78,220 or 95.12% White; 1,826 or 2.22% Latino; 1,191 or 1.45% African-American; 838 or 1.02% Asian; 140 or .17% American Indian; and 19 or .02% Other. Minority residents account for less than 5% of the total population in the assessment area.

According to the 1990 U.S. census data, there are a total of 29,092 housing units in the bank's assessment area, of which 75.4% are owner-occupied, 20.9% are rental and 3.7% are vacant. One-to-four family units account for the majority (88%) of the housing units located in the assessment area. The median age of the housing stock is 16 years. Approximately 43.9% of owner-occupied housing units are valued in excess of \$150,000.

Recent economic history in Kane County indicates a relatively stable employment environment. According to the State of Illinois Department of Employment Security, as of October, 1995, the unemployment rates for Kane County and the State of Illinois were 4.0% and 4.7%, respectively.

Information obtained from contacts in the community indicated that the bank's assessment area is experiencing a period of economic prosperity. Contacts indicated that there are plans for the development of a subdivision in Geneva which will have approximately 8,000 single-family homes. Moderately priced homes in the development will range from \$180,000 to \$250,000, while upscale homes will range from \$270,000 to \$600,000. Mortgage loans are readily available

from various financial institutions located within the bank's assessment area. Concern was expressed that housing growth in the area needs to be well-planned due to an increased strain on the municipal infrastructure. Contacts with members of community businesses indicated that Kane County officials have used business tax incentives to promote business relocation into the assessment area. Light industry, professional services and a healthy retail district, which includes antique shops that attract tourism, comprise a majority of the assessment area's business district. Business start-up and expansion credit is offered and being made available by various financial institutions in the bank's assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank is in compliance with the substantive provisions of anti-discrimination laws and regulations, including the Equal Credit Opportunity Act, the Fair Housing Act and the Home Mortgage Disclosure Act.

Loan/Deposit Ratio Analysis

An analysis of the bank's Consolidated Reports of Condition throughout the seven quarter review period revealed a loan-to-deposit ratio of 61.09%. Additionally, a review of the Uniform Bank Performance Report, as of September, 1995, indicated that the bank's peer loan-to-deposit ratio is 66.15%. While the bank's average loan-to-deposit ratio is slightly below peer, the bank's performance is considered reasonable based upon its size, financial condition, and the assessment area's credit needs.

Lending in Assessment Area

The following chart illustrates the bank's mortgage and home improvement activity in and out of its assessment area, according to the bank's 1994 Home Mortgage Disclosure Act (HMDA) data:

| 1994 Total HMDA Lending by State Bank of Geneva, IL | | | | | | | |
|---|-----------|------------|-----------|------------|-------------------|-----------------|-----------------------------|
| Loan Type | # of Apps | # of Origs | Orig Rate | % of Origs | Origs \$ (000) | # of Denials | Denial ¹ Rate |
| Conventional | 19 | 15 | 78.95 | 40.54 | 1,729 | 3 | 15.79 |
| Refinancing | 10 | 8 | 80.00 | 21.62 | 791 | 1 | 10.00 |
| Home Impr. | 17 | 14 | 82.35 | 37.84 | 326 | 2 | 11.76 |
| Total | 46 | 37 | 80.43 | 100.00 | 2,846 | 6 | 13.04 |

¹Denial Rate is based on Application by loan product.

| State Bank of Geneva, Activity Inside its Assessment Area | | | | | | | |
|--|-----------|------------|-----------|-------------------------------|----------------|--------------|-------------|
| Loan Type | # of Apps | # of Origs | Orig Rate | % of Loan Within Delineation | Origs \$ (000) | # of Denials | Denial Rate |
| Conventional | 17 | 14 | 82.35 | 93.33 | 1,554 | 2 | 11.76 |
| Refinancing | 9 | 7 | 77.78 | 87.50 | 761 | 1 | 11.11 |
| Home Impr. | 16 | 13 | 81.25 | 92.86 | 286 | 2 | 12.50 |
| Total | 42 | 34 | 80.95 | 91.89 | 2,601 | 5 | 11.90 |
| % of Total | 91.30 | 91.89 | | | 91.39 | 83.33 | |
| State Bank of Geneva, Activity Outside its Assessment Area | | | | | | | |
| Loan Type | # of Apps | # of Origs | Orig Rate | % of Loan Outside Delineation | Origs \$ (000) | # of Denials | Denial Rate |
| Conventional | 2 | 1 | 50.00 | 6.67 | 175 | 1 | 50.00 |
| Refinancing | 1 | 1 | 100.00 | 12.50 | 30 | 0 | 0 |
| Home Impr. | 1 | 1 | 100.00 | 7.14 | 40 | 0 | 0 |
| Total | 4 | 3 | 75.00 | 8.11 | 245 | 1 | 25.00 |
| % of Total | 8.70 | 8.11 | | | 8.61 | 16.67 | |

As the preceding charts illustrate, a substantial majority (91.89%) of the bank's 1994 HMDA-reportable loan activity was inside the assessment area. The loan origination rate inside the bank's assessment area was 80.95%. The bank's performance, by product type, was consistent with the distribution of loans for the bank overall with 87.5% of refinancings and 93.33% of conventional mortgage loans originated inside the assessment area.

A review of the examination loan sample revealed the following distribution:

| LOAN TYPE | TOTAL SAMPLED | INSIDE THE ASSESSMENT AREA | % OF TOTAL |
|----------------------|---------------|----------------------------|------------|
| Real Estate | 10 | 10 | 100.0 |
| Installment | 10 | 6 | 60.0 |
| Single Payment | 10 | 8 | 80.0 |
| Credit Card | 10 | 8 | 80.0 |
| Overdraft Protection | 10 | 8 | 80.0 |
| Commercial Loans | 10 | 9 | 90.0 |
| Total Approved Loans | 60 | 49 | 81.7 |

| | | | |
|---------------------------|----|----|------|
| Total Denied Applications | 30 | 19 | 63.3 |
| Total Activity | 90 | 68 | 75.6 |

As the preceding chart illustrates, a majority of the loans were within the bank's assessment area. The percentage of approved loans within the assessment area was 18.4% greater than the percentage of denied applications made within the assessment area.

Analysis of the 1994 HMDA data and the examination loan sample indicated that a majority of the bank's credit activity was located within its assessment area and the bank's performance is considered satisfactory.

Lending to Borrowers of Different Incomes

The following chart illustrates the bank's 1994 HMDA activity, with respect to applicant income distribution:

| 1994 HMDA Activity of State Bank of Geneva, IL by Income | | | | | | |
|---|--------|---------|---------|----------|----------|----------|
| Low- and Moderate-Income Applicants (< 80% of MSA Median Family Income) | | | | | | |
| Product Class | # Apps | # Origs | % Origd | \$ Origd | # Denied | % Denied |
| Conventional | 4 | 4 | 100.00 | 379 | 0 | 0.00 |
| Refinancing | 2 | 2 | 100.00 | 197 | 0 | 0.00 |
| Home Improvement | 4 | 3 | 75.00 | 28 | 1 | 50 |
| Overall | 10 | 9 | 90.00 | 604 | 1 | 25.00 |
| % of Grand Total | 24.39 | 26.47 | | 23.22 | 25.00 | |
| L-M Populn./% L-M | 0 | 0 | | | | |
| Total Population | 82,234 | | | | | |
| Middle-Income Applicants (80 to 99% of MSA Median Family Income) | | | | | | |
| Conventional | 0 | 0 | 0.00 | 0 | 0 | 0.00 |
| Refinancing | 2 | 2 | 100.00 | 210 | 0 | 0.00 |
| Home Improvement | 1 | 1 | 100.00 | 3 | 0 | 0 |
| Overall | 3 | 3 | 100.00 | 213 | 0 | 0.00 |
| % of Grand Total | 7.32 | 8.82 | | 8.19 | 0.00 | |
| Middle-Income Applicants (100 to 121% of MSA Median Family Income) | | | | | | |
| Conventional | 2 | 1 | 50.00 | 140 | 1 | 100 |
| Refinancing | 0 | 0 | 0.00 | 0 | 0 | 0.00 |
| Home Improvement | 0 | 0 | 0.00 | 0 | 0 | 0 |
| Overall | 2 | 1 | 50.00 | 140 | 1 | 25.00 |
| % of Grand Total | 4.88 | 2.94 | | 5.38 | 25.00 | |
| Upper-Income Applicants (> 121% of MSA Median Family Income) | | | | | | |
| Conventional | 10 | 9 | 90.00 | 1,035 | 0 | 0 |
| Refinancing | 5 | 3 | 60.00 | 354 | 1 | 100 |
| Home Improvement | 11 | 9 | 81.82 | 255 | 1 | 50 |

| | | | | | | |
|---------------------|-------|-------|-------|-------|----|-------|
| Overall | 26 | 21 | 80.77 | 1,644 | 2 | 50 |
| % of Grand Total | 63.41 | 61.76 | | 63.21 | 50 | |
| Grand Totals | | | | | | |
| Conventional | 16 | 14 | 87.50 | 1,554 | 1 | 25.00 |
| Refinancing | 9 | 7 | 77.78 | 761 | 1 | 25.00 |
| Home Improvement | 16 | 13 | 81.25 | 286 | 2 | 50 |
| Grand Total | 41 | 34 | 82.93 | 2,601 | 4 | |

As the preceding charts illustrate, the bank reported a majority (61.76%) of its loan originations to upper-income individuals, while 11.76% of the originations were to middle-income individuals. The bank's performance with respect to low-income and moderate-income individuals was significant with the bank reporting 26.47% of its loan originations to low-income and moderate-income individuals.

An analysis of the examination loan sample also indicated that the bank had strong performance with respect to applications and originations from low-income and moderate-income applicants. The following chart illustrates this point:

| ORIGINATED LOANS | | | | |
|-------------------------|---------------------------------|---|---|--|
| LOAN TYPE | LOW-INCOME #/\$000's | MODERATE- INCOME #/\$000's | MIDDLE- INCOME #/\$000's | UPPER- INCOME #/\$000's |
| Real Estate | 2/20 | 0/0 | 4/217 | 4/285 |
| Installment | 5/26 | 1/5 | 2/18 | 1/4 |
| Single Payment | 1/2 | 1/2 | 3/12 | 2/25 |
| Credit Card | 6/3 | 1/5 | 2/2 | 1/1 |
| Overdraft Protection | 2/1 | 3/6 | 1/1 | 2/3 |
| Total Originations | 16/52 | 6/18 | 12/250 | 10/318 |

As the preceding chart illustrates, 50% of the total loans sampled were to low-income (16 or 36.35%) and moderate-income (6 or 13.64%) individuals. The remaining 50% of the loans were evenly distributed between middle-income and upper-income individuals. By product type, 80% of the mortgage loans were to middle-income and upper-income individuals and 59% of the installment, single payment, credit card and overdraft protection loans were to low-income and moderate-income applicants.

Given the distribution of loans among applicants of different income levels in the bank's assessment area, the bank's performance is considered to be strong. The bank's distribution of loans and denied credit applications is well-diversified and reflects a significant level of

penetration among low-income and moderate-income individuals.

Geographic Distribution of Credit Within the Assessment Area

A review of the bank's 1994 HMDA data indicated that a majority of the census tracts (10 out of the 14 or 71.43%), within the bank's assessment area reported lending activity. A further review indicated that two of the census tracts that reported no activity are designated upper-income tracts and the other two tracts are designated middle-income tracts. Approximately 45.23% of HMDA-reportable lending occurred in census tract number 8526, which is located in Geneva and contains the highest population and number of housing units when compared to the other tracts in the assessment area. The remaining HMDA activity was distributed throughout the bank's assessment area.

A geographic distribution analysis of the examination loan sample indicated that 86% or 12 out of the 14 census tracts within the bank's assessment area had lending activity. One of the tracts with no activity is an upper-income tract and the other tract is a middle-income tract. Once again, census tract number 8526, in Geneva, had the highest concentration of loan activity (approximately 40%). Other loan activity was distributed throughout the bank's assessment area.

Based on the geographic distribution of the bank's 1994 HMDA data and the examination loan sample, the bank's performance reflects a reasonable level of credit distribution throughout its assessment area.

Response to Substantiated Complaints

No complaints were received by the institution regarding its CRA performance since the previous examination.